

Message Text

CONFIDENTIAL

PAGE 01 LONDON 00491 01 OF 04 111751Z

45

ACTION EUR-25

INFO OCT-01 EA-11 AEC-11 ISO-00 SS-20 NSC-10 L-03 H-03

PA-04 PRS-01 USIA-15 STR-08 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 SCEM-02 SCI-06 INT-08 XMB-07 ACDA-19

SAJ-01 DRC-01 TAR-02 /273 W
----- 077468

R 111725Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7010

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 04 LONDON 00491

E.O. LL652: GDS

TAGS: EGEN, PFOR, UK, EEC, US

SUBJECT: BRITAIN'S FIRST YEAR IN THE EUROPEAN COMMUNITY

BEGIN SUMMARY BRITAIN'S DOMESTIC ECONOMIC PROBLEMS
HAVE OVERSHADOWED ITS FIRST YEAR IN THE EUROPEAN COM-
MUNITY. AFTER GOOD PROSPECTS FOR THE BRITISH ECONOMY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00491 01 OF 04 111751Z

IN EARLY 1973, SHARP WORLD PRICE INCREASES FOR BASIC

COMMODITIES DURING THE YEAR SPURRED DOMESTIC INFLATION AND, IN THE LAST QUARTER, BRITAIN'S ECONOMIC SITUATION WORSENEED DRAMATICALLY -- FOR REASONS WHICH HAVE LITTLE TO DO WITH COMMUNITY MEMBERSHIP, BUT WHICH WILL HAMPER BRITAIN'S ABILITY TO TAKE FULL ADVANTAGE OF THAT MEMBERSHIP. THE GOVERNMENT ADAPTED RAPIDLY TO EC MEMBERSHIP, AND PLAYED A FULL AND GENERALLY EFFECTIVE PART IN COMMUNITY PROCEEDINGS. BRITISH INDUSTRY CONTINUED TO TAKE ADVANTAGE OF ITS NEW OPPORTUNITIES BY EXTENDING SALES AND SERVICE NETWORKS ON THE CONTINENT AND BY STEADILY INCREASING INVESTMENTS IN NEW PLANT AND EQUIPMENT AT HOME. BRITAIN'S TRADE WITH THE OTHER MEMBER STATES INCREASED. HOWEVER, THE GENERAL PUBLIC CONTINUED TO BE SCEPTICAL ABOUT THE BENEFITS OF MEMBERSHIP TO BRITAIN. THE ANTI-MARKETEERS IN THE LABOUR PARTY KEPT UP THEIR CAMPAIGN, AND THE PARTY COMMITTED ITSELF MORE DEEPLY TO "RE-NEGOTIATING" THE TERMS OF ENTRY IF IT COMES TO POWER AND TO SUBMITTING THE RESULTS THEREOF TO A POPULAR REFERENDUM -- A COMMITMENT WHICH LEAVES OPEN THE POSSIBILITY OF A FUTURE LABOUR GOVERNMENT WITHDRAWING FROM THE EC. AS FAR AS US INTERESTS ARE CONCERNED, BRITISH MEMBERSHIP WAS OF NET BENEFIT IN A NUMBER

OF AREAS. BRITAIN'S GENERAL APPROACH TO INTERNATIONAL ECONOMIC RELATIONS AND MANY OF ITS SPECIFIC ECONOMIC OBJECTIVES COINCIDE WITH OUR OWN MORE CLOSELY THAN THOSE OF SEVERAL OF ITS EC PARTNERS. ON THE MIDDLE EAST, ON THE OTHER HAND, BRITAIN'S APPROACH -- WHICH IS COLORED BOTH BY ITS PRESENT NEED FOR OIL AND ITS PAST ROLE IN THE AREA -- HAS BEEN LESS CONSTRUCTIVE. DURING 1974, BRITAIN WILL CONTINUE TO CONSOLIDATE ITS POSITION IN THE COMMUNITY AND TRY TO ADAPT ITS ECONOMY TO TAKE ADVANTAGE OF THE LARGER MARKET. HOWEVER, THE UNCERTAINTIES RESULTING FROM THE ENERGY CRISIS RAISE THE SAME QUESTIONS FOR BRITAIN AS FOR OTHER MAJOR EC MEMBERS, AND MAKE PREDICTIONS OF HOW THE ENLARGED COMMUNITY WILL DEVELOP IN 1974 DIFFICULT AT THIS TIME. WITH REGARD TO ENERGY COOPERATION, BRITISH OFFICIALS EXPECT THAT THE EAG AND OECD WORK WILL BE CARRIED OUT, AT LEAST INITIALLY, WITHOUT AN ATTEMPT TO DEVELOP FULLY

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00491 01 OF 04 111751Z

COORDINATED EC POSITIONS. THE UK AND OTHER MEMBER STATES ARE ALSO LIKELY TO CONTINUE SEEKING BILATERAL CONSUMER-PRODUCER DEALS, AS A HEDGE. OVER THE LONGER RUN

HOWEVER, BRITAIN CAN BE EXPECTED TO WORK FOR MORE EC COOPERATION IN THE ENERGY FIELD. THE NORTH SEA SUPPLIES, IN ADDITION TO THE UK'S COAL AND NUCLEAR POWER RESOURCES,

WILL GIVE THE UK A STRONG POSITION IN DETERMINING THE
DIRECTION OF EC ENERGY POLICIES -- A SITUATION THAT MAY
WELL WORK TOWARD A MORE OUTWARD-LOOKING EC POLICY THAN
THE ONE THAT FRANCE WOULD DESIRE. END SUMMARY

THE ECONOMY

1. AT THE BEGINNING OF THE YEAR, PROSPECTS FOR A SUB-
STANTIAL GROWTH RATE (6 PER CENT IN 1973 AND 3.5 PER
CENT IN 1974) SEEMED BRIGHT. OVER THE COURSE OF THE
FIRST THREE QUARTERS, THIS INITIAL OPTIMISM WAS DIMMED
BY THE PERSISTENT RISE IN WORLD PRICES OF BASIC COM-
MODITIES, BOTH FOOD AND INDUSTRIAL RAW MATERIALS. IN
THE LAST QUARTER, THE ECONOMY WEAKENED DRAMATICALLY,
LARGELY AS A RESULT OF THE ARAB CUTBACKS OF OIL SUPPLY,
THE SUDDEN QUADRUPLING OF WORLD OIL PRICES BY PRODUCING
COUNTRIES, AND PERSISTENT LABOR TROUBLES IN THE UK,
PARTICULARLY THE MINERS' OVERTIME BAN THAT REDUCED COAL

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00491 02 OF 04 111752Z

45

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 AEC-11 SS-20 NSC-10 L-03

H-03 PA-04 PRS-01 USIA-15 STR-08 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 SCEM-02 SCI-06 INT-08 XMB-07 ACDA-19

SAJ-01 DRC-01 TAR-02 /273 W

----- 077481

R 111725Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7011

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA
USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 04 LONDON 00491

OUTPUT BY 30-40 PER CENT.

2. IN THE SHORT RUN, THE PRINCIPAL INFLUENCE ON THE ECONOMY WILL BE THE 40 PER CENT REDUCTION IN WORKING HOURS FOR MOST SECTORS OF THE ECONOMY ANNOUNCED DECEMBER 13, WHICH IS EXPECTED TO LEAD TO A ONE-THIRD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00491 02 OF 04 111752Z

CUT IN INDUSTRIAL OUTPUT IN THE IMMEDIATE FUTURE AND, IF CONTINUED THROUGH FEBRUARY, COULD RESULT IN A MORE SERIOUS RECESSION. IN THE LONGER RUN, THE ECONOMY FACES DIFFICULT PROBLEMS STEMMING IN LARGE MEASURE FROM THE HIGH PRICE OF BASIC RAW MATERIALS, PARTICULARLY THE TWO INCREASES IN THE PRICE OF OIL, WHICH WILL ADD 1.8 TO 2 BILLION POUNDS TO THE UK'S 1974 CURRENT ACCOUNT DEFICIT, WHICH WAS ALREADY EXPECTED TO BE SUBSTANTIAL EVEN BEFORE THE OIL PRICE INCREASES. THE GROWTH RATE IN 1974 IS LIKELY TO DROP TO ZERO, OR TO BE NEGATIVE. WITH AN OUTLOOK FOR REDUCED WORLD GROWTH, THE GOVERNMENT'S HOPE THAT FREE ACCESS TO THE ENLARGED EC MARKET WOULD HELP BREAK THE CYCLE OF STOP-GO THAT HAS PLAGUED BRITAIN EVER SINCE THE WAR WILL BE POSTPONED AT LEAST.

3. HOW THE STRAITENED BRITISH ECONOMY WILL AFFECT THE POSITIONS THAT THE UK ADOPTS IN BRUSSELS REMAINS TO BE SEEN. IN THE SHORT RUN, BOLD NEW EUROPEAN INITIATIVES ARE NOT LIKELY TO COME FROM A GOVERNMENT THAT IS DEEPLY PREOCCUPIED WITH ITS INTERNAL PROBLEMS. AS IS ALREADY THE CASE WITH THE OTHER MEMBER STATES, THE UK CAN BE EXPECTED TO DEFINE ITS NATIONAL INTERESTS CLEARLY ON SPECIFIC ISSUES AND TO DEFEND THEM VIGOROUSLY. THE BRITISH HAVE TAKEN A VERY TOUGH LINE, FOR EXAMPLE, ON THE SIZE OF AN EC REGIONAL DEVELOPMENT FUND. ON THE OTHER HAND, THE BRITISH ARE AWARE THAT IN TIMES OF ECONOMIC DIFFICULTY, SOME COUNTRIES MIGHT BE TEMPTED TO RESORT TO UNILATERAL TRADE AND INVESTMENT RESTRICTIONS AS A WAY TO STAVE OFF FOREIGN COM-

PETITION. THE UK WILL WORK VIGOROUSLY TO FORESTALL SUCH RESTRICTIONS, AND, IN PARTICULAR, WILL WANT MORE THAN EVER TO PROCEED WITH THE MULTILATERAL TRADE NEGOTIATIONS. IT WILL CONTINUE TO MAINTAIN ITS OWN RESTRICTIONS ON CAPITAL MOVEMENTS. NO LIBERALIZATION IS EXPECTED ON THAT POINT.

BRITAIN ADAPTS TO EUROPE

4. BRITAIN HAS QUICKLY ADAPTED ITS GOVERNMENTAL MACHINERY TO THE DEMANDS OF THE EC MEMBERSHIP. THE PRIME MINISTER, WHO HAS HAD CONSIDERABLE EXPERIENCE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00491 02 OF 04 111752Z

WITH THE COMMUNITY OVER THE PAST THIRTEEN YEARS, REGARDS BRITISH ENTRY INTO EUROPE AS HIS PRINCIPAL CONTRIBUTION TO HISTORY. THE REORGANIZATION OF WHITEHALL AND THE CALIBER OF THE OFFICIALS WHO HAVE BEEN SENT TO BRUSSELS FOR SERVICE IN THE COMMISSION AND IN THE BRITISH PERMANENT REPRESENTATION REFLECT THE DEPTHS OF HIS INTEREST'

5. THE BRITISH GOVERNMENT HAS NOT BEEN RETICENT ABOUT DEFENDING ITS POSITIONS IN BRUSSELS. ITS SUCCESS IN HOLDING DOWN GRAIN PRICES TO A MINIMUM IN THE FACE OF STIFF GERMAN OPPOSITION WAS IMPRESSIVE. ON OTHER ISSUES -- SUCH AS REGIONAL POLICY -- THE GOVERNMENT HAS FARED LESS WELL. THE UK'S RELUCTANCE TO TAKE ON THE FRENCH, WHICH EXISTED FOR SOUND TACTICAL REASONS

DURING THE ENLARGEMENT NEGOTIATIONS, HAS DIMINISHED CONSIDERABLY WITH MEMBERSHIP. BRITAIN CONFRONTED FRANCE DIRECTLY ON A NUMBER OF ISSUES DURING THE YEAR (SUGAR POLICY, ASSOCIATION ARRANGEMENTS WITH LDCS, GATT NEGOTIATIONS). HOWEVER, IT HAS AVOIDED A CONFRONTATION OVER THE BASIC QUESTION OF TRANSFERRING NEW POWERS TO THE EC INSTITUTIONS. POLICY-MAKERS IN THE BRITISH GOVERNMENT ARE PROBABLY PREPARED TO GO FURTHER THAN FRANCE TOWARDS STRENGTHENING THE COMMISSION AND THE EUROPEAN PARLIAMENT, BUT THEY HAVE NOT PRESSED THIS ISSUE BECAUSE THE ANTI-MARKETEERS AT HOME KEEP HAMMERING AWAY AT THE ALLEGED LOSS OF SOVEREIGNTY THAT HAS RESULTED FROM EC MEMBERSHIP.

6. BRITISH INDUSTRY HAS CONTINUED TO TAKE ADVANTAGE OF THE POTENTIAL ADVANTAGES OF EC MEMBERSHIP. A RECENT POLL COMMISSIONED BY THE "THE ECONOMIST" SHOWS THAT 41 PER CENT OF THE LARGEST BRITISH COMPANIES EXPECT THAT THEY WILL BE HELPED "A LOT" BY EC MEMBERSHIP, AND 43 PER CENT EXPECT THEY WILL BE HELPED

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00491 03 OF 04 111756Z

45

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 AEC-11 SS-20 NSC-10 L-03

H-03 PA-04 PRS-01 USIA-15 STR-08 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 SCEM-02 SCI-06 INT-08 XMB-07 ACDA-19

SAJ-01 DRC-01 TAR-02 /273 W

----- 077581

R 111725Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7012

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 03 OF 04 LONDON 00491

"A LITTLE". ONLY 6 PER CENT BELIEVE THEY WILL BE
HARMED. BRITAIN HAD COUNTED ON EC MEMBERSHIP AS ONE
FACTOR THAT WOULD ENCOURAGE MUCH NEEDED AND LONG
OVERDUE CAPITAL INVESTMENT, AND IN 1973 INVESTMENT

DID IN FACT CONTRIBUTE TO THE GROWTH OF THE ECONOMY.
IN A COMMONS DEBATE IN NOVEMBER, THE CHANCELLOR OF THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00491 03 OF 04 111756Z

EXCHEQUER POINTED OUT THAT THE VALUE OF BRITAIN'S
EXPORTS TO THE REST OF THE COMMUNITY IS RISING MORE
SHARPLY THAN THE VALUE OF BRITISH EXPORTS TO THE REST
OF THE WORLD. (THE VALUE OF BRITAIN'S IMPORTS FROM
THE COMMUNITY IS RISING EVEN FASTER.) TRADE FIGURES
FOR ALL OF 1973 ARE NOT IN, HOWEVER, AND COMPARISONS
WITH DATA FOR PREVIOUS YEARS IS DISTORTED BY THE TERMS
OF TRADE EFFECTS OF EXCHANGE RATE CHANGES, STRIKES,
AND WORLD-WIDE PRICE INFLATION, INCLUDING THE RISE IN
COMMODITY PRICES.

7. DESPITE THESE POSITIVE INDICATORS, THE GENERAL
PUBLIC CONTINUES TO BE SCEPTICAL ABOUT THE BENEFITS
OF EC MEMBERSHIP TO BRITAIN. THE POLLS SHOW THAT THE

MAN IN THE STREET IS, IF ANYTHING, EVEN LESS
ENTHUSIASTIC ABOUT THE COMMUNITY NOW THAN HE WAS AT
THE BEGINNING OF THE YEAR. THE GOVERNMENT DID NOT
EXPECT THE COMMUNITY TO BRING MANY TANGIBLE BENEFITS
IN THE SHORT RUN, BUT THE LABOUR PARTY'S ANTI-MARKETEERS
ARE ASSIDUOUSLY FANNING THE FLAMES OF OPPOSITION.
THEY HAVE HAD SOME SUCCESS IN CONVINCING THE
BRITISH PUBLIC THAT EC MEMBERSHIP IS THE CAUSE OF HIGH
FOOD PRICES, DESPITE ALL THE EVIDENCE TO THE CONTRARY.
THE LABOUR PARTY HAS DOGGEDLY REFUSED TO PARTICIPATE
IN THE EUROPEAN PARLIAMENT, AND AT ITS OCTOBER PARTY
CONFERENCE, THE LABOUR PARTY REAFFIRMED ITS COMMITMENT
TO "RENEGOTIATE" THE TERMS OF ENTRY AND TO SUBMIT THE
RESULTS TO SOME FORM OF PUBLIC REFERENDUM. IN DECEMBER,
THE TUC ENDORSED THIS POSITION. THE LABOUR ANTI-
MARKETEERS WILL ENSURE THAT THE EC WILL BE AN
ISSUE IN THE NEXT ELECTION. A CONSERVATIVE VICTORY
IN THAT ELECTION WOULD PROBABLY REMOVE THE ISSUE FROM
BRITISH POLITICS. A LABOUR VICTORY WOULD ENSURE THAT
THE ISSUE CONTINUED TO FESTER AS LABOUR WOULD FEEL

OBLIGED TO CARRY OUT ITS "COMMITMENT" TO RENEGOTIATE
THE TERMS AND THE OUTCOME OF A PUBLIC REFERENDUM ON
EC MEMBERSHIP WOULD BE DIFFICULT TO PREDICT.

IMPLICATIONS FOR THE U.S.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 00491 03 OF 04 111756Z

8. ON THE WHOLE, BRITAIN'S MEMBERSHIP IN THE COMMUNITY HAS BEEN OF NET BENEFIT TO THE UNITED STATES. AS WE EXPECTED, BRITAIN HAS BY NO MEANS BECOME THE TROJAN HORSE DE GAULLE ONCE FEARED. BUT THE BRITISH VIEW OF THE WORLD IS BROADER THAN THAT OF MOST CONTINENTAL EUROPEAN COUNTRIES, BEING BASED ON A WIDER AND LONGER EXPERIENCE OUTSIDE EUROPE. ALSO, BRITAIN'S DEPENDENCE ON IMPORTED FOOD AND RAW MATERIALS LEADS IT TO WORK HARD TO BLOCK MANY OF THE PROTECTIONIST IDEAS OF ITS EC PARTNERS. CONTRARY TO THE GERMANS AND THE DUTCH, IT WANTS EC GRAIN PRICES TO BE AS LOW AS POSSIBLE. CONTRARY TO THE ITALIANS, IT OPPOSES IMPORT BARRIERS TO CITRUS AND TOBACCO. CONTRARY TO THE FRENCH, IT OPPOSES EC BARRIERS TO SOY

BEAN IMPORTS. IT HAS TAKEN THE LEAD IN OPPOSING THE "REVERSE PREFERENCES" WHICH FRANCE HAS FORCED THE EC TO DEMAND FROM CERTAIN LDCS. ON THE BASIS OF THE UK'S BELIEF IN THE ADVANTAGES OF A LIBERAL TRADING SYSTEM, IT HAS OPPOSED THE UNREASONABLE POSITIONS THAT FRANCE HAS TAKEN IN THE PREPARATIONS FOR THE MTN. AS A COUNTRY THAT HAS BENEFITTED FROM SUBSTANTIAL INFLOWS OF FOREIGN INVESTMENT, IT HAS RESISTED MOVES FROM ALL CORNERS OF EUROPE TOWARD THE ESTABLISHMENT OF AN EC INDUSTRIAL POLICY THAT WOULD RESTRICT US INVESTMENT. THE UK'S OWN ILLEGAL APPROACH TO INTRA-EC CAPITAL MOVEMENTS, EXCLUDING US SUBSIDIARIES ESTABLISHED ELSEWHERE IN THE EC FROM CERTAIN UK BORROWING FACILITIES, WAS CHANGED IN MAY AFTER FORECEFUL US COMPLAINTS AND PRESSURE.

9. IN ADDITION TO THIS COINCIDENCE OF INTERESTS ON SPECIFIC ECONOMIC QUESTIONS, THE US HAS BENEFITTED FROM BRITAIN'S GENUINE INTEREST IN STRONG ATLANTIC

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 00491 04 OF 04 111805Z

45

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 AEC-11 SS-20 NSC-10 L-03

H-03 PA-04 PRS-01 USIA-15 STR-08 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 SCEM-02 SCI-06 INT-08 XMB-07 ACDA-19

SAJ-01 TAR-02 DRC-01 /273 W

----- 077644

R 111725Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7013

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 04 OF 04 LONDON 00491

TIES. IN CERTAIN CASES, NOTABLY THE DRAFTING OF THE
US-EC DECLARATION AND THE COPENHAGEN SUMMIT COMMUNIQUE,
THE BRITISH HAVE TRIED TO BRING THE FRENCH ALONG BY
AVOIDING A TOO SPECIFIC SPELLING-OUT OF TRANS-ATLANTIC
CONCEPTS WHICH THE US AND BRITAIN SUPPORT, BUT WHICH
THE FRENCH FIND OBJECTIONABLE. THE BRITISH CLAIM THAT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 00491 04 OF 04 111805Z

THE FRENCH POSITION IS EVOLVING GRADUALLY IN A SATIS-
FACTORY ATLANTIC DIRECTION.

10. IN ANOTHER CASE -- THE DEFINITION OF AN
EC ATTITUDE TOWARD THE MIDDLE EAST -- LONGSTANDING
BRITISH POLICY TOWARD THE AREA, REINFORCED BY
BRITAIN'S CURRENT DEPENDENCE ON MIDDLE EAST OIL
SUPPLIES, HAS LEFT THE FIELD CLEAR FOR THE FRENCH TO
PUSH THE COMMUNITY TO A NARROW IDEA OF EUROPEAN

INTERESTS.

THE YEAR AHEAD

11. STABILIZATION OF BRITISH INDUSTRIAL RELATIONS --

WHICH IS VERY DIFFICULT TO ACHIEVE -- AND, IN PARTICULAR, A NOT TOO INFLATIONARY RESOLUTION OF THE CURRENT INDUSTRIAL CRISIS WOULD STRENGTHEN THE POSITION OF BRITAIN IN THE COMMUNITY, OPENING THE WAY FOR THE BRITISH ECONOMY TO REALIZE ITS CONSIDERABLE POTENTIAL. CONVERSELY, A CONTINUATION OF THE CRISIS, OR A COMMITMENT THAT WAS REGARDED AS A DEFEAT FOR THE GOVERNMENT, COULD REDUCE BRITAIN'S INFLUENCE IN THE COMMUNITY AND UNDERMINE ITS ABILITY TO CONTRIBUTE FULLY TO THE DEVELOPMENT OF COMMUNITY POLICIES.

12. THE SHORT TERM EFFECTS OF THE CURRENT BRITISH ECONOMIC CRISIS ARE PROBLEMATIC, BUT THEY RANGE FROM BAD TO WORSE. THE LONGER TERM EFFECTS OF THE ENERGY PROBLEM ON BRITAIN AND THE COMMUNITY ARE ALSO UNCERTAIN. THE GENERAL SLACKENING OF ECONOMIC ACTIVITY WHICH IS FORESEEN AS A RESULT OF SCARCER AND MORE EXPENSIVE OIL IS LIKELY TO RETARD STILL FURTHER THE PROGRESS TOWARD ECONOMIC AND MONETARY UNION THAT WAS EXPECTED TO BE THE ENGINE OF INTEGRATION IN THE 70S.

WITH REGARD TO ENERGY, BRITISH OFFICIALS EXPECT THAT THE WORK IN THE EAG AND OECD WILL BE CARRIED OUT, AT LEAST INITIALLY, WITHOUT ANY ATTEMPT TO DEVELOP FULLY COORDINATED EC POSITIONS. THE UK AND OTHER MEMBER STATES ARE ALSO LIKELY TO CONTINUE SEEKING BILATERAL

CONFIDENTIAL

PAGE 03 LONDON 00491 04 OF 04 111805Z

CONSUMER-PRODUCER DEALS AS A HEDGE. BRITAIN CAN NEVERTHELESS BE EXPECTED TO WORK OVER A LONGER PERIOD FOR EC COOPERATION IN THE ENERGY FIELD. IN ANY CONSIDERATION OF EC ENERGY SHARING, BRITAIN WILL BE GUIDED BY THE EXPECTATION THAT, BY 1980, THE NORTH SEA SHOULD SATISFY ABOUT 80 PER CENT OF BRITAIN'S OIL REQUIREMENTS, AND BY 1985 THE UK'S ENTIRE ELECTRICITY BASE LOAD SHOULD BE MET FROM NUCLEAR POWER. THESE FACTS WILL GIVE THE UK A STRONG POSITION IN DETERMINING THE DIRECTION OF EC ENERGY POLICIES -- A SITUATION THAT MAY WELL WORK TOWARD A MORE OUTWARD-LOOKING EC POLICY THAN THE ONE THAT FRANCE WOULD DESIRE.

SOHM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, LABOR RELATIONS, FOREIGN POLICY POSITION, MINISTERIAL MEETINGS, ELECTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON00491
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740148/aaaabtbtc.tel
Line Count: 545
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: NDUM -- A COMMITMENT WHICH LEAVES OP, EN THE
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Jul-2001 by boyleja>; APPROVED <15 MAY 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRITAIN'S FIRST YEAR IN THE EUROPEAN COMMUNITY BEGIN SUMMARY BRITAIN'S DOMESTIC ECONOMIC PROBLEMS
TAGS: EGEN, PFOR, UK, US, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005